



The Real Estate TRENDS

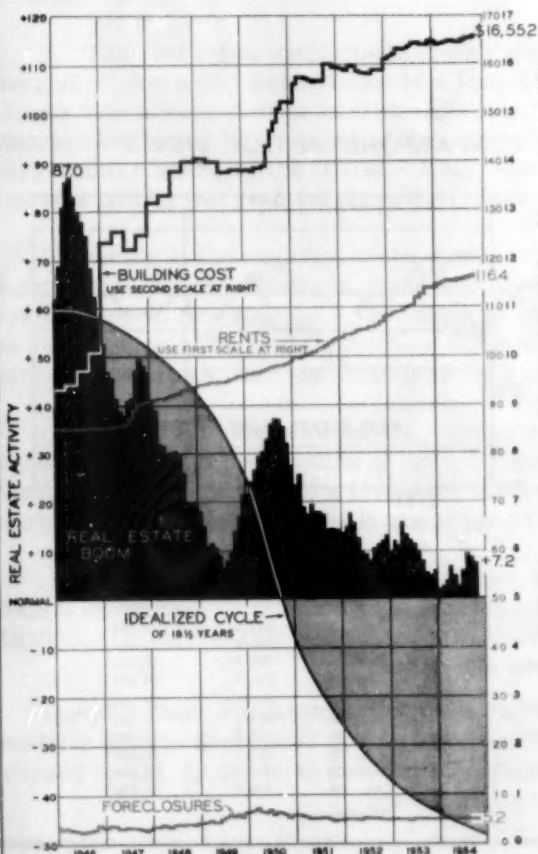
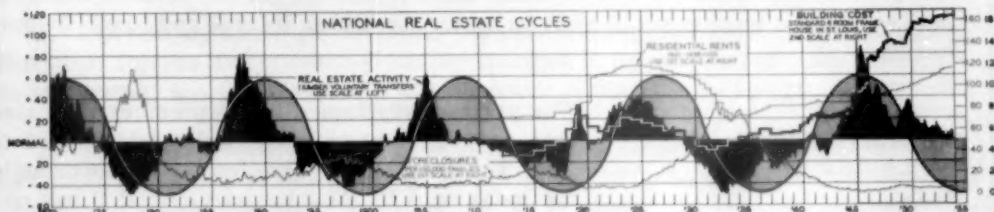
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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS



NATIONAL REAL ESTATE ACTIVITY
Revised index down to 7.2 points above normal.

REAL ESTATE MORTGAGE ACTIVITY
This index also revised, but still shows mortgage activity reached postwar high in September.

RESIDENTIAL CONSTRUCTION VOLUME
Best October volume in history reaches 106,000 starts and brings total for first 10 months of 1954 to 1,016,500.

INTEREST RATES
Slipped minutely from 5.107% to 5.092%.

RESIDENTIAL CONSTRUCTION COSTS
No significant change.

RESIDENTIAL CONSTRUCTION VOLUME

In October, residential construction volume achieved a total of 106,000 starts. This total broke all previous records for the month, and brought construction volume for the first 10 months of 1954 to the impressive figure of 1,016,500 units. This 10-month total is the second highest on record, being exceeded only by the all-time high of 1950.

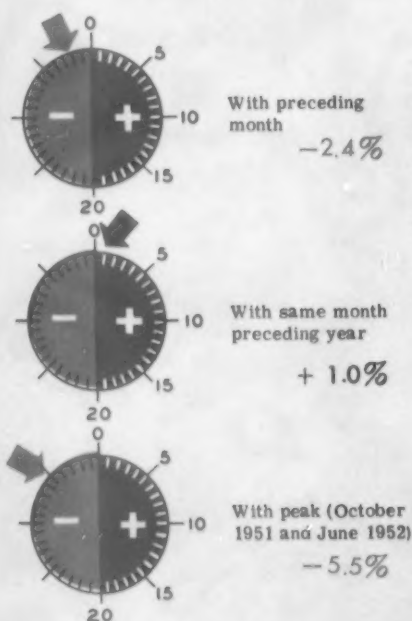
There has been a steady improvement in the quality of construction and design of new homes. Competition and wide-awake market analysis have spurred the home builders to offer better houses each succeeding year. For the past several years the accent has been on the middle income market, but the advance word for 1955 is that the emphasis will shift to homes for higher income and lower income families.

REAL ESTATE SALES PRICES

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REAL ESTATE SALES PRICE COMPARISONS IN OCT. 1954



Date	Selling price index	Probable selling price of a house that sold for \$5,000 in 1939
1939	100.0	\$ 5,000
Jan. '53	287.0	14,350
Apr. '53	280.0	14,500
June '53	300.0	15,000
Aug. '53	301.6	15,080
Jan. '54	300.0	15,000
Apr. '54	293.0	14,650
June '54	300.0	15,000
Aug. '54	300.0	15,000
Sept. '54	300.0	15,000
Oct. '54	293.0*	14,650*

*Preliminary.

Preliminary data for October point to a decline to 293 for that month, but when all the figures are in, this preliminary figure may also prove to be too low. There is nothing in sight that leads us to expect large price declines in the near future.

REAL ESTATE ACTIVITY

Most of us know that it is necessary to revise any statistical series from time to time in order to keep the figures in proper perspective. This is particularly true of the figures that make up our national and regional real estate activity cycle charts (see pages 482 through 484). The basic revisions that we have just made in the indexes are these:

1. Correction based on the latest national and regional population estimates. The basic figures are corrected for the changes in the number of families in the United States, and the differences in the number of families in the various regions.
2. In recent months we have been successful in obtaining real estate activity data from a number of new cities in each region. The incorporation of this information into the indexes also constitutes a revision of the regional and national activity charts.
3. The real estate cycle charts are all plotted on the basis of "above and below normal." Since this normal line is a long-term average, it also changes, even though it is always plotted as a straight line. The low-volume years of the thirties are beginning to drop out of the normal line and are being replaced by the high-volume years of the fifties. This, therefore, results in a higher normal line and brings the real estate activity line closer to it.

In looking at the regional cycle charts, it is necessary to remember that the normal line for the West and Southwest Regions is a good deal higher than the normal line in New England. Therefore, it is possible for the West and Southwest to have higher activity than the New England Region, but still present a poorer picture insofar as the relationship to the regional normal is concerned.

On the basis of these revisions, real estate activity reached a postwar low in January 1954, with a reading of only 2 points above normal. From February through August it went into a slow rise that brought it back up to 9.4 points above normal. In the last 2 months it has slipped to its present level of 7.2.

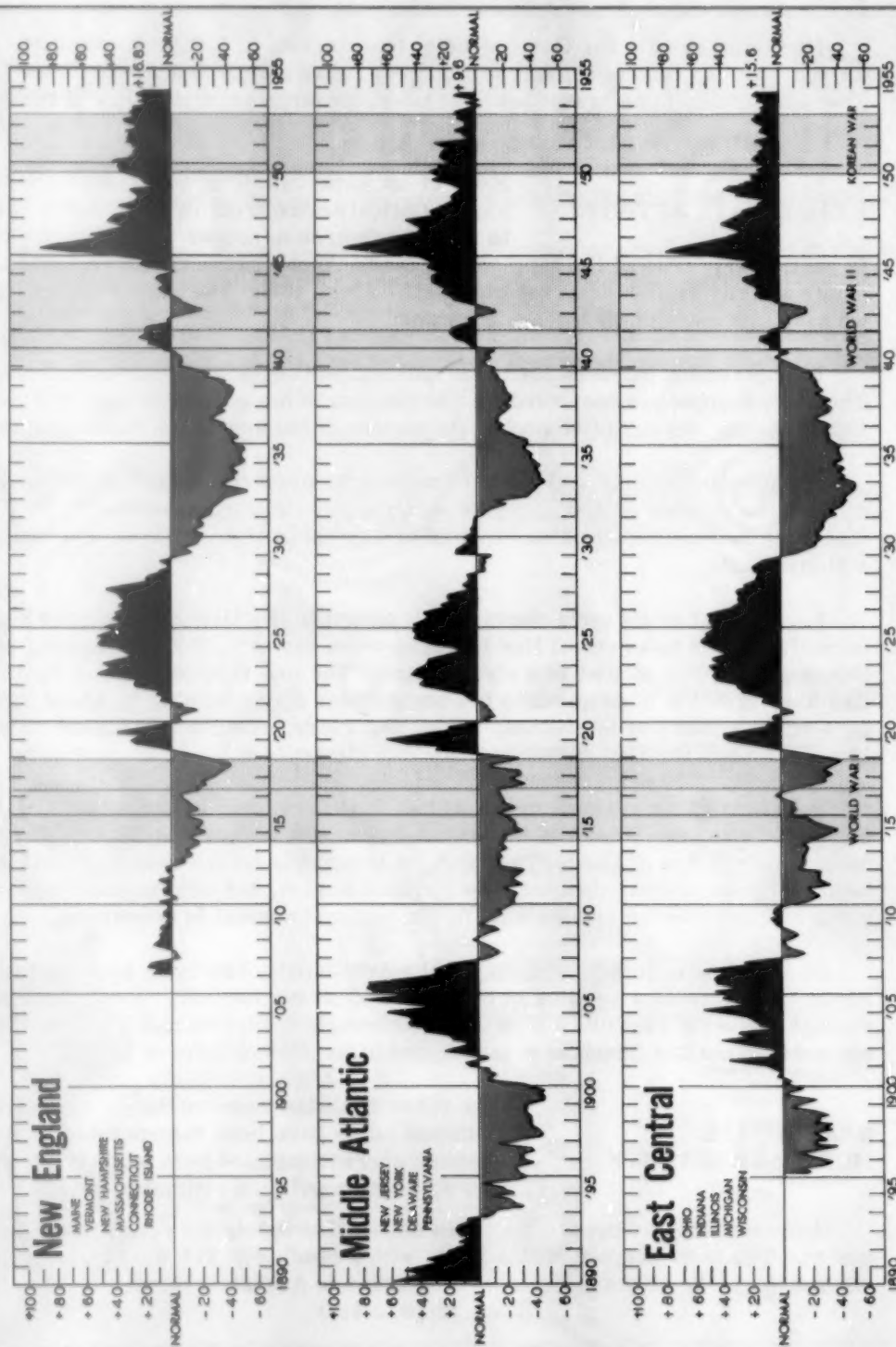
REAL ESTATE MORTGAGE ACTIVITY

This index has also been revised. Data from additional cities have been incorporated into the index and corrections have been made in accordance with new population estimates.

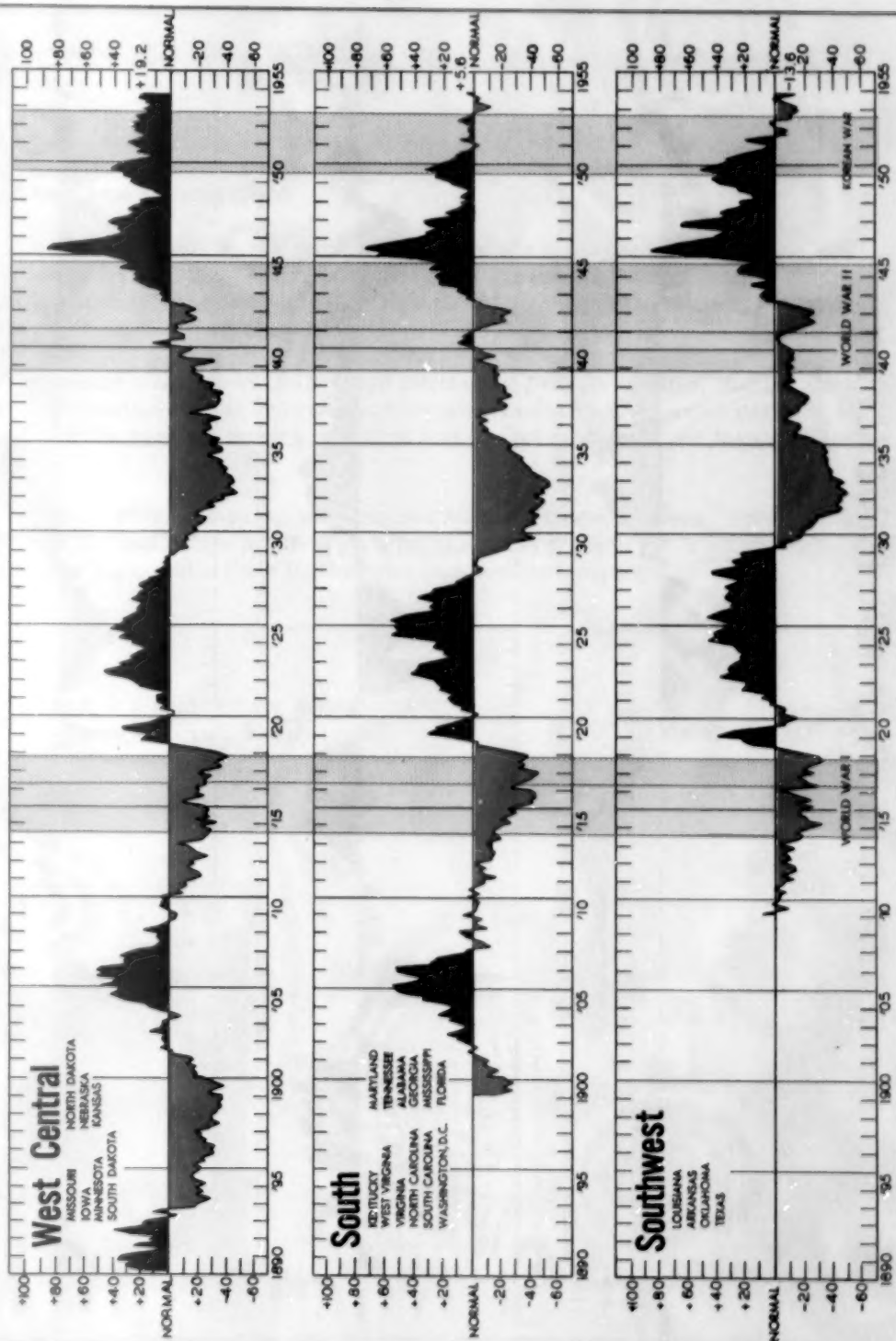
Despite these revisions, the index shows that mortgage activity reached a postwar high in September of this year, with a reading of 214.4. In October, it slipped to 211.2, or the same level it occupied in August.

(cont. on page 486)

REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

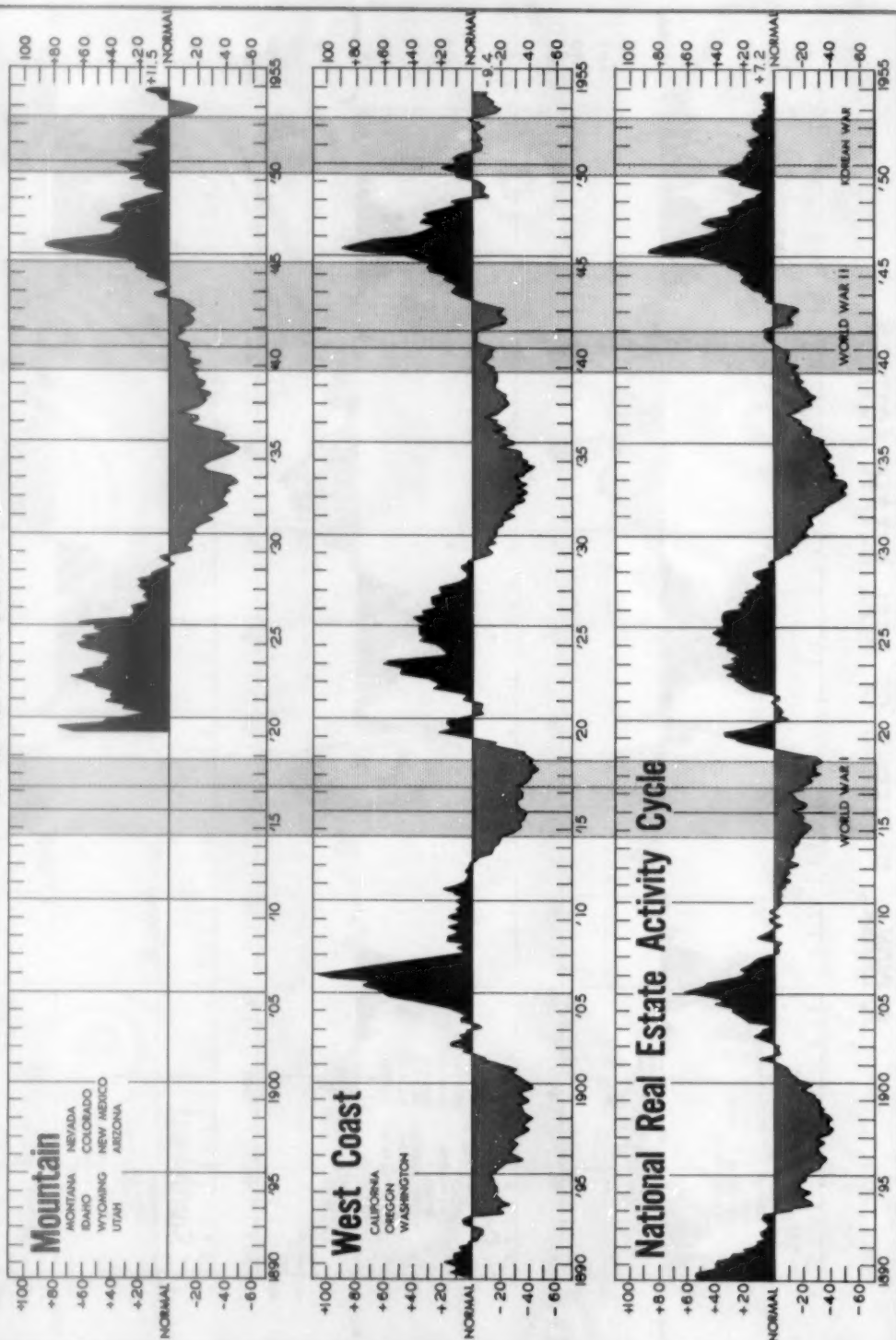


REGIONAL PATTERNS OF REAL ESTATE ACTIVITY



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PROFITS OF REAL ESTATE BROKERAGE CORPORATIONS

THE three charts below are based on data published by the Internal Revenue Service. They deal only with real estate brokerage corporations, but the chances are that the experience of unincorporated brokers has followed the same general trend.

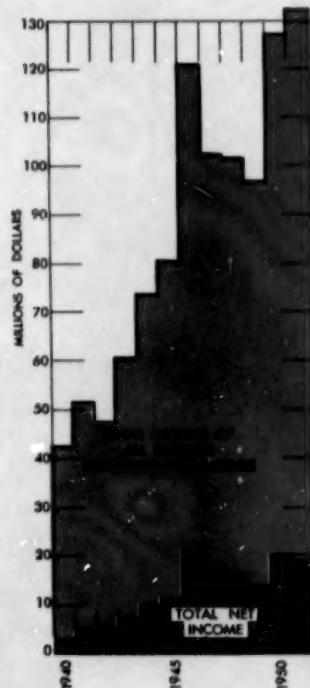
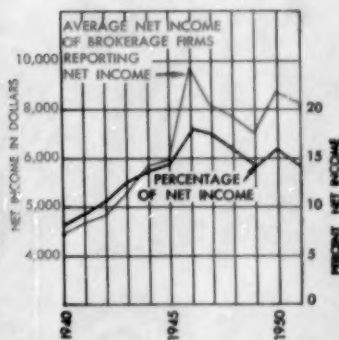
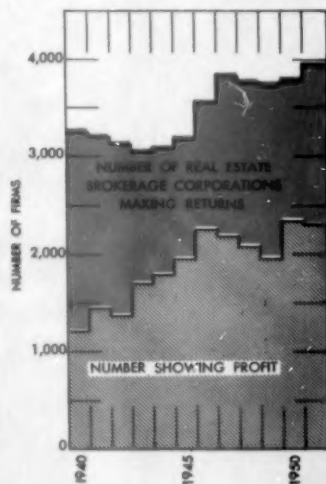
The first chart shows the number of real estate brokerage corporations that made income tax returns from 1940 to 1951, and the number showing a profit. In 1951, the number making returns rose to an all-time high, while the number making a profit declined slightly.

The second chart shows the average income per firm (in dollars), and the percent of net income earned by brokerage corporations during the same period. In 1951, both the average income per firm and the percentage of net income were down.

The third chart compares total income with net income. Here, again, total income of all real estate brokerage corporations reporting a net income reached an all-time high, while their total net income declined slightly.

PROFITS OF REAL ESTATE BROKERAGE CORPORATION - 1940-1951

BASED ON COMPILATIONS OF INCOME TAX RETURNS



(cont. from page 481)

There is no doubt that mortgage activity is going to continue to run at a high level. Money is plentiful and the demand for new and existing homes has been broadened by the 1954 housing act, and by the efforts of the home builders to continually improve the design and quality of their product.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES
IN 12 MAJOR CITIES OF THE UNITED STATES

March 1952	4.998%
March 1953	5.007
January 1954	5.187
February 1954	5.240
March 1954	5.197
April 1954	5.173
May 1954	5.151
June 1954	5.114
July 1954	5.089
August 1954	5.082
September 1954	5.107
October 1954	5.092